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## Dividend Waivers – Settlement Provisions

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A recent case (P Donovan and P McLaren V HMRC) has highlighted the dangers of using dividend waivers to reallocate income between shareholders. (particularly between spouses)

HMRC are likely to challenge such arrangements under the settlements legislation where they consider that:

- 1) *There was no commercial purpose to the dividend waiver, and*
- 2) *The intention was simply to allow higher dividends to be paid to an individual (particularly a director's spouse) to utilise their basic rate band.*

Under these circumstances, the individual who waived the dividend (the settlor) will be taxed on the dividend.

**Please do not hesitate to contact us should you require any further information**

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